

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re:	: Chapter 11
	:
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: Case No. 08-13555 (SCC)
	:
Debtors.	: (Jointly Administered)
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JOINT STATEMENT OF UNCONTESTED FACTS

Claimants QVT Fund, LP (“QVT Fund”) and Quintessence Fund L.P. (“Quintessence Fund,” and together with QVT Fund, “QVT”) and Debtors Lehman Brothers Holdings Inc. (“LBHI”) and Lehman Brothers Special Financing Inc. (“LBSF” and together, with LBHI, collectively, “Lehman”) hereby propose the following facts to be presented to the Court as undisputed such that they may be considered evidence at the evidentiary hearing scheduled to commence on January 30, 2017:¹

1. On February 25, 2005, QVT Fund and LBSF entered into a 1992 (Multicurrency-Cross Border) ISDA Master Agreement, including accompanying Schedules, Confirmations and Credit Support Annexes (collectively, the “QVT Fund ISDA Master Agreement”). JX-0001.² LBHI acted as Guarantor pursuant to Exhibit A to the Schedule of the QVT Fund ISDA Master Agreement. JX-0001.

2. On June 18, 2007, Quintessence Fund and LBSF entered into a 1992 (Multicurrency-Cross Border) ISDA Master Agreement, including accompanying Schedules, Confirmations and Credit Support Annexes (collectively, the “Quintessence Fund ISDA Master

¹ QVT and Lehman reserve the right to propose additional uncontested facts up to and during the trial. QVT and Lehman also reserve the right to withdraw any proposed uncontested fact without prejudice. Citation or reference to any document herein does not imply a waiver of any objections either QVT or Lehman may have to admission of such document.

² Exhibit numbers with the prefix JX herein refer to the parties’ proposed joint exhibits.

Agreement”). JX-0002. LBHI acted as Guarantor pursuant to Exhibit A to the Schedule of the Quintessence Fund ISDA Master Agreement. JX-0002.

3. Other than the different parties, the QVT Fund ISDA Master Agreement and the Quintessence Fund ISDA Master Agreement (together, the “ISDA Master Agreements”) are essentially identical.

4. LBHI acted as “Credit Support Provider” under the ISDA Master Agreements. JX-0001 at QVTFUND00000165; JX-0002 at QVTFUND00000211.

5. Under the ISDA Master Agreements, the parties selected “Second Method” and “Market Quotation” to determine “Payments on Early Termination” in the Event of Default. JX-0001 at QVTFUND00000161; JX-0002 at QVTFUND00000207.

6. At approximately 1:45 a.m. on Monday, September 15, 2008, LBHI filed a voluntary petition for Chapter 11 bankruptcy (“LBHI’s bankruptcy filing”). (Docket No. 1.)

7. At the time immediately preceding LBHI’s bankruptcy filing, there were over 800 outstanding transactions (the “Transactions”) under the ISDA Master Agreements comprised of credit default swaps (“CDS”) and two interest rate swaps.

8. At the time immediately preceding LBHI’s bankruptcy filing, the ISDA Master Agreements were in effect.

9. At the time immediately preceding LBHI’s bankruptcy filing, QVT had approximately \$117.3 million in cash collateral posted by LBSF, net of approximately \$18.6 million of “initial margin” posted by QVT pursuant to the ISDA Master Agreements.

10. LBHI’s bankruptcy filing on September 15, 2008 constituted an Event of Default under Section 5(a)(vii) of the ISDA Master Agreements. JX-0001 at QVTFUND0000147; JX-0002 at QVTFUND00000193.

11. Pursuant to the ISDA Master Agreements, QVT had the right to terminate the Transactions based on the Event of Default triggered by LBHI's bankruptcy filing. JX-0001 at QVTFUND00000149; JX-0002 at QVTFUND00000195.

12. At approximately 1:00 p.m. on September 15, 2008, QVT delivered to Lehman its Notice of Early Termination Date, designating September 15, 2008 as the "Early Termination Date." JX-0067.

13. QVT only received the three required quotations in response to its Market Quotation process for twelve out of the hundreds of transactions for which it requested quotations.

14. QVT failed to seek Market Quotation for 44 of the Transactions consisting of 4 CARB positions, 32 ABX positions, 2 ITRAX9 index CDS positions, 2 STSUP positions, 2 MLMI positions, and 2 interest rate swaps.

15. QVT entered into replacement transactions for 82 of the Transactions.

16. On October 15, 2008, QVT sent a Calculation Statement/Demand letter to Lehman purporting to detail its calculation of Loss of the Transactions and demanding \$407,079,395.00. JX-0091 at QVTFUND00000236.

17. On October 16, 2008, QVT sent a Notice and Revised Demand letter to Lehman demanding \$289,701,010 after offsetting \$117,378,385.00 in collateral. JX-0092 at LEH-QVT_0008385.

18. On September 21, 2009, QVT filed Claim No. 21217 (QVT Fund vs. LBSF in the amount of \$257,669,148.00) (JX-0096 at QVTFUND00000287); Claim No. 21140 (QVT Fund vs. LBHI in the amount of \$257,669,148.00) (JX-0094 at QVTFUND00000273); Claim No. 20421 (Quintessence vs. LBSF in the amount of \$28,959,067.00) (JX-0093 at

QVTFUND00000266); and Claim No. 21146 (Quintessence vs. LBHI in the amount of \$28,959,067.00) (JX-0095 at QVTFUND00000280) (collectively, the “QVT’s Proof of Claim”).

19. On June 7, 2011, Lehman filed its “One Hundred and Fifty-Fifth Omnibus Objection to Claims” (the “155th Omnibus Objection”), which sought to reduce, reclassify, and allow certain filed proofs of claim of various counterparties. (Docket No.17468).

20. As part of its 155th Omnibus Objection, Lehman sought to reduce the amount of QVT’s Proofs of Claim. (Docket No. 17468).

21. On August 12, 2011, QVT filed the “Response of QVT Fund LP and Quintessence Fund LP to Debtor’s One Hundred Fifty-Fifth Omnibus Objection to Claims.” (Docket No. 19206).

22. On July 8, 2016, QVT and Lehman filed the “Stipulation and Order Regarding Amendment and Reduction of Proofs of Claim Nos. 20421, 21140, 21146, and 21217” (the “Reduction Stipulation”), which was so ordered by the Court. (Docket No. 53285).

23. The Reduction Stipulation reduced the total value of QVT’s Proofs of Claim from \$286,628,215.00 to \$264,998,675.11. (Docket No. 53285).

Dated: January 27, 2017
New York, New York

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Dated: January 27, 2017
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